

AR45

File



Consumers Distributing®

ANNUAL REPORT 1974

Don Colman

1974 Corporate Directory

Directors

JACK STUPP, Chairman of the Board
and Chief Executive Officer, Toronto
L.S.D. FOGLER, Q.C., Barrister and Solicitor, Toronto
STANLEY J. GOODMAN, Chairman of the Board and
Chief Executive Officer, The May Department Stores
Company, St. Louis
A. J. LATNER, President, Greenwin Construction
Company, Toronto
LILLIAN STUPP, Toronto
RAY D. WOLFE, Chairman of the Board and Chief
Executive Officer, The Oshawa Group Limited, Toronto

Officers

JACK STUPP, Chairman and Chief Executive Officer
LARRY SPERLING, Executive Vice-President
ALBERT BINSTOCK, Vice-President, Merchandising
GEORGE GRAFF, Vice-President, Special Assignments
PETER M. C. ONIONS, Vice-President and Treasurer
REGINALD J. ROBERTSON, Vice-President, Store
Operations
A. ROY VOELKER, Vice-President, Corporate Staff
JOHN E. TURNER, Comptroller
L.S.D. FOGLER, Q.C., Secretary

revel

Bob Manning - VP mech + mkt -
from T. Eaton -
F&A (prev. T.)

Alan Sturt, VP Store operations
(was Thomas Kato,
cost control, mktg,
Store of -
was up dir T. Kato,
Tawaraka)

Transfer agent and registrar

Guaranty Trust Company of Canada, Toronto

Auditors

Laventhol & Horwath, Toronto

Bank

Canadian Imperial Bank of Commerce

E.U.

Stock listing

The Toronto Stock Exchange

Head office

62 Belfield Road, Rexdale (Toronto), Ontario M9W 1G2

Distribution centre

6700 Northwest Drive, Mississauga, Ontario

Bill Boore, Dir. Info Systems -
for Mfg. & ward +
Eaton - inv.
urgent + syden +
Eaton + computers
at M-Wd.

dir

David Kerr - from T. Eaton -
Dir. Con. prevent -
damage qual mktg
now sy. proceed
mktg. etc. to
be done
Alison prevent
to area

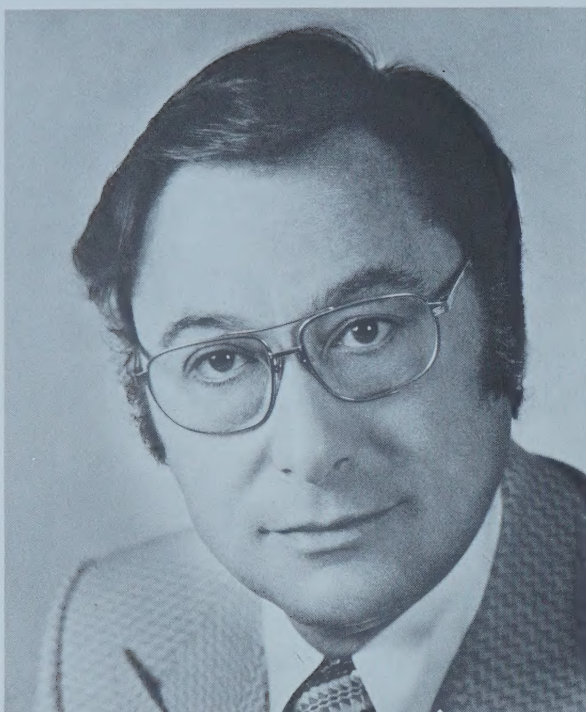
Financial Highlights

	<u>1974</u>	<u>1973</u>
Sales		
Ontario	\$ 74,448,000	\$ 62,516,000
National	<u>63,912,000</u>	<u>37,551,000</u>
	\$138,360,000	\$100,067,000
Net profit	\$1,905,000	\$3,456,000
Earnings per share	43c	78c
Tax-paid dividends per share	11.5c	10c
Shares outstanding—average	4,456,196	4,454,747
Working capital	\$7,838,000	\$9,118,000
Showrooms		
Ontario	82	69
National	<u>65</u>	<u>45</u>
	147	114

Five Year Comparative Summary (\$000's)

	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>
Sales					
Ontario	\$ 74,448	\$ 62,516	\$55,785	\$42,918	\$31,216
National	<u>63,912</u>	<u>37,551</u>	<u>17,704</u>	<u>5,228</u>	<u>—</u>
	138,360	100,067	73,489	48,146	31,216
Share of net earnings of					
Consumers 'National'	\$ 518	\$ 701	\$ 451	\$ 165	\$ —
Earnings before taxes	3,539	6,302	5,751	4,276	3,011
Income taxes	1,634	2,845	2,550	2,055	1,589
Net income	1,905	3,456	3,201	2,222	1,421
Tax-paid dividends	512	445	430	—	—
Working capital	\$ 7,838	\$ 9,118	\$8,445	\$ 6,939	\$ 5,501
Total assets	48,417	32,801	27,601	19,955	14,849
Shareholders' equity	16,601	15,299	12,337	6,693	4,395
Shares outstanding					
actual*	4,456,196	4,456,196	4,453,056	4,060,250	4,050,000
average*	4,456,196	4,454,747	4,260,088	4,059,266	4,050,000
Earnings per share*	43c	78c	75c	55c	35c
Tax-paid dividends per share*	11.5c	10c	10c	—	—
Showrooms					
Ontario	82	69	56	49	36
National	<u>65</u>	<u>45</u>	<u>26</u>	<u>9</u>	<u>—</u>
	147	114	82	58	36

* Share data is adjusted for the two-for-one stock split of August 14, 1972



To our Shareholders

After more than ten years of increasing sales and earnings, 1974 was disappointing in terms of profit performance. Combined sales increased 38 percent to \$138.3 million from \$100.1 million in the previous year. Earnings were \$1.9 million compared with \$3.4 million in 1973 and earnings per share were 43 cents compared with a previous 78 cents.

There were several factors which contributed to the decline in earnings.

- Sales in the fourth quarter, in common with most other retailers particularly in Ontario, fell short of expectation.
- Operating costs were geared in anticipation of higher sales.
- Our buying program was directed to a more buoyant economy, based on our experience in the first nine months.
- Suppliers' price increases were passed along only in gradual stages in order to afford our customers some price protection and to maintain credibility for the prices in our catalogue. This

adversely affected our gross profit.

- Customers, influenced by a depressed economy traded down to lower gross margin merchandise.

An in depth assessment of the company's operations in 1974 has now been completed and we have begun taking steps to return the company to its former high levels of performance.

To add to the strengths of our management team the company has secured the services of Mr. Albert Plant, a man of considerable business experience. In order to give him the authority commensurate with his senior operating responsibilities I decided to appoint Mr. Plant to the office of President. He has also been elected to your Board of Directors.

Mr. Plant comes to us from Canada's largest retailing organization. His career has encompassed senior responsibilities in retail distribution, sales and merchandise management and experience in catalogue marketing.

Mr. Plant has also been appointed President and elected a Director of Consumers Distributing Company (National), the 50 percent owned associated company which carries on operations outside of Ontario.

In 1974 our company continued its expansion program in Canada with the opening of 13 showrooms in Ontario and 20 showrooms were opened by Consumers 'National' in other provinces. Last year's program included showrooms opened for the first time in Alberta (11), Saskatchewan (3) and Newfoundland (1) and additional showrooms were opened in Quebec and Manitoba. The Prairie showrooms have continued to enjoy the excellent acceptance experienced since our first outlets were opened there several years ago. The Quebec market also remained strong, especially in the Montreal area.

Further expansion through our store opening program will now be slowed so that full attention can be given to maximizing the results of the present 154 showrooms. The number of new openings for 1975 will be greatly reduced from previous years.

U. S. Venture

Your company has withdrawn from its partnership interest in Consumers Distributing Company (U.S.). Under an agreement with The May Department Stores Company, May has acquired our 50 percent interest in Consumers 'U.S.' and the latter company has become wholly-owned by May. Consumers Distributing Company Limited will receive from May a total of \$1,060,000 over five years.

I want to confirm that your company will bear no losses either in the past or in the future, in respect of the U. S. operations.

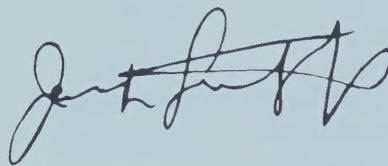
It was considered by your Directors that it was more important for senior management to devote all of its efforts to improving the operations and performance of the Canadian company. Because of the difficult economic circumstances being experienced in the United States it became apparent that your company would not receive any profit contribution from the U.S. venture for at least five years.

Outlook

We believe with a more aggressive attitude to merchandising and marketing and a more effective employment of our data systems to improve productivity the company can return to the successful and highly profitable position previously enjoyed. This confidence is based on the proven superiority of catalogue showroom retailing as a most efficient way of bringing goods to the consumer. However, there is a major job to be done

in improving the company's performance which we are confident can be achieved over the next 24 months.

In conclusion, while your company is presently experiencing a difficult phase resulting from its rapidly growing size and complexity and a rate of expansion which saw sales multiply by 900 percent in the short space of six years, we have built a strong market position across Canada and have an experienced and capable management group and staff with whose effort we believe we will be able to regain our previous momentum.



Toronto
May 26, 1975

Jack Stupp
Chairman of the Board and
Chief Executive Officer

Consolidated Statement of Income and Retained Earnings

Year Ended December 31

	<u>1974</u>	<u>1973</u>
Income:		
Sales	\$74,447,947	\$62,515,604
Share of net earnings of Consumers Distributing Company (National) Limited (Note 1 (b))	<u>517,794</u>	<u>701,228</u>
	<u>74,965,741</u>	<u>63,216,832</u>
Costs and expenses:		
Cost of sales and operating expenses (Note 3)	69,155,547	55,680,052
Amortization of financing expenses	12,000	12,000
Interest expense	1,599,573	795,645
Depreciation and amortization of equipment and leasehold improvements	<u>659,507</u>	<u>427,592</u>
	<u>71,426,627</u>	<u>56,915,289</u>
Income before income taxes	3,539,114	6,301,543
Income taxes	<u>1,634,281</u>	<u>2,845,183</u>
Net income	1,904,833	3,456,360
Retained earnings, beginning of year	<u>11,524,474</u>	<u>8,593,788</u>
	13,429,307	12,050,148
Tax paid to create tax-paid undistributed surplus on hand	(90,635)	(80,186)
Tax-paid dividends	<u>(512,436)</u>	<u>(445,488)</u>
Retained earnings, end of year	<u>\$12,826,236</u>	<u>\$11,524,474</u>
Earnings per share	<u>\$.43</u>	<u>\$.78</u>

See accompanying notes

Consolidated Balance Sheet

December 31

Assets	1974	1973 (Note 5)
Current:		
Cash and short-term deposits	\$ —	\$ 2,585,213
Accounts receivable	1,169,692	918,948
Income taxes refundable	448,818	—
Due from Consumers Distributing Company (National) Limited	6,224,784	2,680,295
Inventory, at lower of cost and net realizable value	29,195,085 ✓	18,623,435
Prepaid expenses and sundry assets	1,405,564	818,288
Total current assets	38,443,943 ✓	25,626,179
Investment in Consumers Distributing Company (National) Limited (Note 1 (b))	1,835,269	1,317,475
Investment in Consumers Distributing Company (U.S.) (Note 1 (c))	124,876	124,876
Equipment and leasehold improvements at cost less accumulated depreciation and amortization (Note 2)	7,193,920	4,769,472
Other assets:		
Financing expenses, less amounts amortized	66,490	78,490
Deferred charges, less amounts amortized (Note 3)	523,015	662,268
Sundry	229,404	221,861
	818,909	962,619
	<u>\$48,416,917</u>	<u>\$32,800,621</u>

Liabilities

Current:		
Bank indebtedness (Note 4)	\$12,432,858	\$ —
Accounts payable and accrued liabilities	17,518,490	15,856,225
Dividends payable	133,686	111,400
Income taxes	—	204,395
Deferred income taxes (Note 5)	520,603	335,761
Total current liabilities	30,605,637	16,507,781
Deferred income taxes (Note 5)	1,210,290	993,612

Shareholders' Equity

Capital stock (Notes 6 and 7):		
Authorized:		
12,000,000 Common shares, without par value		
Issued:		
4,456,196 Common shares	3,774,754	3,774,754
Retained earnings	12,826,236	11,524,474
	16,600,990	15,299,228
	<u>\$48,416,917</u>	<u>\$32,800,621</u>

See accompanying notes

On behalf of the Board: JACK STUPP Director
L. S. D. FOGLER Director

Consolidated Statement of Changes in Financial Position

Year Ended December 31

	1974	1973 (Note 5)
Financial resources were provided by :		
Net income from operations	\$1,904,833	\$3,456,360
Add (deduct) charges (credits) to income not requiring a current outlay of funds:		
Depreciation and amortization of equipment and leasehold improvements	659,507	427,592
Amortization of deferred charges	434,174	309,880
Amortization of financing expenses	12,000	12,000
Deferred income taxes	216,678	270,761
Share of net earnings of Consumers Distributing Company (National) Limited	(517,794)	(701,228)
Working capital provided from operations	2,709,398	3,775,365
Issue of shares (Note 6)	—	31,252
	<u>2,709,398</u>	<u>3,806,617</u>
Financial resources were used for:		
Deferred charges	294,921	382,100
Tax paid to create tax-paid undistributed surplus on hand	90,635	80,186
Dividends	512,436	445,488
Equipment and leasehold improvements	3,083,955	1,909,844
Sundry other assets	7,543	96,605
	<u>3,989,490</u>	<u>2,914,223</u>
Increase (decrease) in working capital	(1,280,092)	892,394
Working capital, beginning of year, as restated (Note 5)	9,118,398	8,226,004
Working capital, end of year	<u>\$7,838,306</u>	<u>\$9,118,398</u>

See accompanying notes

Auditors' Report

To the Shareholders of Consumers Distributing Company Limited

We have examined the consolidated balance sheet of Consumers Distributing Company Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
May 9, 1975

Laventhol & Horwath
Chartered Accountants

Notes to Consolidated Financial Statements December 31, 1974

1. Principles of consolidation:

- (a) The consolidated financial statements include the accounts of the company and its subsidiary companies, all of which are wholly-owned.
- (b) The investment in 50% of the common shares of Consumers Distributing Company (National) Limited is carried at cost plus the company's equity in undistributed net earnings. The company's share of net earnings is included in the consolidated statement of income and retained earnings.

Condensed operating results of Consumers Distributing Company (National) Limited are as follows:

	Year Ended December 31, 1974	Year Ended December 31, 1973
Sales	<u>\$63,911,880</u>	<u>\$37,550,840</u>
Net earnings	<u>\$ 1,035,587</u>	<u>\$ 1,402,457</u>
Consumers Distributing Company Limited share thereof (50%)	<u>\$ 517,794</u>	<u>\$ 701,228</u>

- (c) The investment in Consumers Distributing Company (U.S.) represents a 50% interest (at cost) in a partnership between a wholly-owned subsidiary of the company and May Catalog Showrooms, Inc., a wholly-owned subsidiary of The May Department Stores Company.

In 1974 the partnership incurred losses, after writing off all branch and head office start-up costs, aggregating approximately \$3.8 million (before income tax recovery) which were borne in their entirety by May Catalog Showrooms, Inc.

Subsequent to December 31, 1974, the company agreed to dispose of its partnership interest to the May Department Stores Company. For that interest and certain services, the company will receive \$1,060,000 payable, without interest, in approximately equal installments over the next five years.

2. Equipment and leasehold improvements:

	Annual Rates	Cost	Accumulated Depreciation and Amortization	Net
Office, warehouse and showroom equipment	5% and 10%	\$5,902,554	\$1,274,875	\$4,627,679
Leasehold improvements ...	Term of lease	1,838,496	431,349	1,407,147
Automotive equipment	10% and 20%	1,409,752	250,658	1,159,094
		<u>\$9,150,802</u>	<u>\$1,956,882</u>	<u>\$7,193,920</u>

The annual rates are applied to original cost and are designed to write off the assets over their estimated useful life.

3. Deferred charges:

	1974	1973
Pre-opening costs relating to new branches- amortized over 24 months for Metropolitan Toronto locations and over 36 months for other locations, commencing with the month after the date of opening	<u>\$397,807</u>	<u>\$459,054</u>
Costs for development of new systems and procedures- amortized over varying periods not exceeding thirty-six months	<u>80,950</u>	<u>116,215</u>
Costs related to Consumers Distributing Company (U.S.) which were being amortized over the first phase of the U.S. Partnership Agreement (Note 1 (c))	<u>44,258</u>	<u>86,999</u>
	<u>\$523,015</u>	<u>\$662,268</u>

Deferred charges amortized during 1974, and included in cost of sales and operating expenses on the consolidated statement of income and retained earnings amount to \$434,174 (1973 — \$309,880).

4. Bank indebtedness:

The bank indebtedness is secured by a collateral floating charge on all of the assets of the company. The company has also given the bank an assignment of book debts and assignments of life insurance policies in the face amount of \$2,100,000, having a cash surrender value of \$21,100.

5. Income taxes:

The company follows the tax allocation principle of providing for income taxes. Under this principle deferred income taxes result from claiming for income tax purposes capital cost allowances in excess of depreciation and amortization recorded in the accounts, and from writing off for income tax purposes financing expenses, deferred charges and other costs in the year incurred.

Comparative 1973 figures on the balance sheet and the statement of changes in financial position have been reclassified to reflect as a current liability that portion of deferred income taxes which relates to current assets written off for income tax purposes.

6. Capital stock:

	1974		1973	
	Number of Shares Issued	Amount	Number of Shares Issued	Amount
Balance, beginning of year	4,456,196	\$3,774,754	4,453,056	\$3,743,502
Shares issued during year on exercise of stock options (Note 7)	—	—	3,140	31,252
Balance, end of year	<u>4,456,196</u>	<u>\$3,774,754</u>	<u>4,456,196</u>	<u>\$3,774,754</u>

7. Stock options and reservation of shares:

In connection with the company's Employee Stock Option Plan, 225,000 common shares have been reserved. At December 31, 1974 there were options outstanding to purchase 206,470 shares exercisable at prices ranging from \$5.60 to \$32.50 over the next ten years.

8. Lease obligations:

Property and equipment rental for the year ended December 31, 1974 amounted to \$3,738,316.

Minimum rentals payable under long-term leases for property and equipment in effect as at December 31, 1974, (excluding insurance, property taxes and certain other occupancy charges), are as follows:

1975	\$ 2,971,118
1976	\$ 2,913,059
1977	\$ 2,880,421
1978	\$ 2,788,514
1979	\$ 2,716,675
1980	\$ 2,111,269
1981	\$ 1,976,693
1982	\$ 1,949,490
1983	\$ 1,910,262
1984	\$ 1,903,697
1985 to 2000	
(inclusive)	\$16,231,855

9. Contingent liability:

The company is jointly and severally liable with The Oshawa Group Limited as guarantor of the leases of Consumers Distributing Company (National) Limited. The annual minimum rentals payable by Consumers Distributing Company (National) Limited under long-term leases in effect as at December 31, 1974 are as follows:

1975	\$ 2,023,588
1976—1980	\$ 9,951,417
1981—1985	\$ 9,298,299
1986—2000	\$18,223,141

10. Remuneration of directors and senior officers:

The aggregate direct remuneration paid by the company and its consolidated subsidiaries to directors and senior officers of the company for the year ended December 31, 1974 was \$511,585 (1973—\$372,425).

11. Subsequent event:

Negotiations are taking place with The Oshawa Group Limited, the 50-percent participant in Consumers Distributing Company (National) Limited, to provide additional financing for that company. As part of the negotiations, it may be necessary for Consumers Distributing Company Limited to issue a second floating debenture on its inventories to The Oshawa Group Limited.

154 Catalogue Showrooms in nine Canadian Provinces

Alberta (13)
Calgary (7)
Edmonton (5) **
Lethbridge

Manitoba (9)
Winnipeg (8)
Brandon

New Brunswick (5)
Fredericton
Moncton (2)
Saint John (2)*

Newfoundland (1)
St. John's

Nova Scotia (2)
Dartmouth
Halifax

Prince Edward Island (1)
Charlottetown

Quebec (37)
Montreal (22)*
Chateauguay
Chicoutimi
Drummondville
Granby
Hull
Levis
Quebec City (4)*
St-Hyacinthe
St-Jean
Sherbrooke
Trois-Rivieres
Valleyfield

Saskatchewan (5)
Regina (2)
Moose Jaw*
Prince Albert*
Saskatoon

Ontario (81)
Toronto (19)
Barrie
Belleville
Brampton
Brantford
Brockville
Burlington (2)
Cambridge
Chatham
Cornwall
Georgetown
Guelph
Hamilton (5)
Kingston (2)
Kitchener
London (6)
Mississauga (2)
Niagara Falls
North Bay
Oakville
Orangeville
Orillia
Oshawa (2)
Ottawa (6)
Owen Sound
Peterborough
Pickering
Richmond Hill
St. Catharines (2)
St. Thomas
Sarnia
Sault Ste. Marie
Stratford
Streetsville
Sudbury (2)
Thunder Bay
Waterloo
Welland
Whitby
Windsor (3)
Woodstock

* Stores Opened in 1975

Consumers Distributing Company Limited

62 BELFIELD ROAD, REXDALE (TORONTO)
ONTARIO M9W 1G2

184 Consumers Distributing Savings Centres in Canada and the United States

129 Catalogue Showrooms in eight Canadian provinces

Newfoundland (1)

St. John's*

New Brunswick (4)

Fredericton
Moncton (2)
Saint John

Nova Scotia (2)

Dartmouth
Halifax

Prince Edward Island (1)

Charlottetown

Québec (34)

Montréal (21)*
Châteauguay
Chicoutimi
Drummondville
Granby
Hull
Lévis
Québec (2)
St-Hyacinthe
St-Jean
Sherbrooke
Trois-Rivières
Valleyfield

Ontario (73)

Toronto (18)***
Barrie
Belleville
Brampton
Brantford
Brockville

Manitoba (9)

Winnipeg (8)***
Brandon

Alberta (5)

Calgary (3)***
Edmonton*
Lethbridge*

55 Catalogue Showrooms in four U.S. states

Connecticut (4)

Hamden
Norwalk*
Stamford
Waterbury

New Jersey (8)

Briektown
Florham Park
Hazlet
Ramsey
South Orange
Totowa
Wayne
W. Long Branch (Eatontown)

New York (14)

Brooklyn
Queens (2)
Long Island (10)
Westchester*

California (29)

Antioch

Campbell
Capitola
Colma
Fairfield
Fremont
Hayward
Mountain View
Oakland (2)
Pleasant Hill
Redwood City
Sacramento (2)
Salinas
San Bruno*
San Francisco (4)
San Jose (3)
San Mateo
San Pablo
Sunnyvale
Terra Linda
Vallejo
Walnut Creek

* Stores opened in 1974

Consumers Distributing

interim report to shareholders
six months ended June 30, 1974

Distribution aux
Consommateurs

Consumers Distributing Company Limited,
62 Belfield Road, Rexdale (Toronto), Ont. M9W 1G2

To our Shareholders

Your company's profits and sales continue to advance in 1974. Profits for the six months ended June 30 rose 42 percent to \$987,000 or 22.1 cents per share from \$696,000 or 15.6 cents for the same period a year ago.

Included in the profits is the company's fifty percent share in the profits of its associated company Consumers Distributing Company (National) Limited amounting to \$148,000 in the last period, compared with \$69,000 a year ago. Share earnings are based on the weighted average number of shares outstanding of 4,456,196 this year and 4,453,765 a year ago.

Combined Canadian sales in the six months for Consumers Distributing and Consumers 'National' rose 55 percent to \$49,203,000 from \$31,645,000 a year ago. Sales for each company were:

	1974	1973	Increase
Consumers Distributing (Ontario)	\$27,508,000	\$21,094,000	30%
Consumers 'National' (Other provinces)	21,695,000	10,551,000	106%

In the six month period under review, five catalogue showrooms were opened in Ontario and 10 in other provinces, including our first outlets in Alberta and Newfoundland. These openings gave us a total of 129 outlets across Canada as of June 30 of which 74 were in Ontario and 55 were operated by Consumers 'National'. Additional stores are planned for opening during the fall months and your company looks forward to being represented in nine Canadian provinces by year-end.

I am delighted to report a continuing buoyant trend of sales and am cautiously optimistic regarding the remainder of the year. As you know, however, our full year's profits are primarily determined by the high-level of Christmas business enjoyed in the fourth quarter.

Toronto

July 23, 1974

Jack Stupp
Chairman of the Board
and President

Consolidated Statement of Income

Six Months Ended June 30
(Unaudited)

	1974	1973
Sales	\$27,508,182	\$21,094,289
Share of net earnings of Consumers Distributing Company (National) Limited (note 1)	147,519	68,927
Costs and expenses	27,655,701	21,163,216
Income before income taxes	25,829,431	19,815,485
Income taxes	1,826,270	1,347,731
Net income	839,375	652,190
Earnings per share (note 2)	986,895	695,541
	22.1¢	15.6¢

Consolidated Statement of Source and Application of Funds

Six Months Ended June 30
(Unaudited)

Source of funds	1974	1973
From operations		
Net income	\$ 986,895	\$ 695,541
Add (deduct) charges (credits) to income not requiring a current outlay of funds		
Depreciation and amortization of equipment and leasehold improvements	268,514	181,904
Amortization of deferred charges	223,555	131,391
Amortization of financing expenses	6,000	6,000
Deferred income taxes	114,155	103,700
Share of net earnings of Consumers Distributing Company (National) Limited	(147,519)	(68,927)
Issue of shares	1,451,600	1,049,609
	14,181	14,181
	1,451,600	1,063,790
Application of funds		
Deferred charges	126,247	69,983
Tax paid to create tax-paid undistributed surplus on hand	43,448	40,088
Dividends	245,091	222,715
Equipment and leasehold improvements	799,189	399,543
Increase in working capital	237,625	732,329
Working capital at beginning of period	9,454,159	8,579,710
Working capital at end of period	\$ 9,691,784	\$ 8,911,171

NOTE 1: The company has adopted the equity method of accounting for its investment in 50 percent of the common shares of Consumers Distributing Company (National) Limited. The company's share of net earnings is reflected in the consolidated statement of income.

NOTE 2: Earnings per share are calculated using the weighted daily average of shares outstanding during the respective periods.